

103<sup>D</sup> CONGRESS  
2<sup>D</sup> SESSION

# S. 2061

To amend the Small Business Investment Act of 1958 to permit prepayment of debentures issued by State and local development companies.

---

## IN THE SENATE OF THE UNITED STATES

MAY 3 (legislative day, MAY 2), 1994

Mr. BUMPERS (for himself and Mr. HATFIELD) (by request) introduced the following bill; which was read twice and referred to the Committee on Small Business

---

## A BILL

To amend the Small Business Investment Act of 1958 to permit prepayment of debentures issued by State and local development companies.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. PREPAYMENT OF DEVELOPMENT COMPANY**  
4 **DEBENTURES.**

5 (a) IN GENERAL.—Title V of the Small Business In-  
6 vestment Act of 1958 (15 U.S.C. 695, et seq.) is amended  
7 by adding at the end the following new section:

1 **“SEC. 507. PREPAYMENT OF DEVELOPMENT COMPANY**  
2 **DEBENTURES.**

3 “(a) IN GENERAL.—(1) If the requirements of sub-  
4 section (b) are met and subject to the availability of appro-  
5 priations, the issuer of a debenture purchased by the Fed-  
6 eral Financing Bank and guaranteed by the Administra-  
7 tion under section 503 may, at the election of the borrower  
8 whose loan secures such debenture and with the approval  
9 of the Administration, prepay such debenture by paying  
10 to the Federal Financing Bank the amount that is equal  
11 to the sum of the unpaid principal balance due on the de-  
12 benture on the date of the prepayment (plus accrued inter-  
13 est at the coupon rate on the debenture) and the amount  
14 of the repurchase premium described in paragraph (2)(A).  
15 The Administration shall pay to the Federal Financing  
16 Bank the difference between the repurchase premium paid  
17 by the issuer of the debenture under this subsection and  
18 the repurchase premium that the Federal Financing Bank  
19 would otherwise have received.

20 “(2)(A) The amount of the repurchase premium de-  
21 scribed in this paragraph is the product of—

22 “(i) the unpaid principal balance due on the de-  
23 benture on the date of prepayment;

24 “(ii) the interest rate of the debenture; and

25 “(iii) the factor ‘P’, as determined under sub-  
26 paragraph (B).

1 “(B) for purposes of subparagraph (A)(iii), the factor  
 2 ‘P’ means the applicable percent determined in accordance  
 3 with the following table:

“Year in which prepayment of debenture is made (from date of original issuance)”	Applicable percent			
	10-year term loan	15-year term loan	20-year term loan	25-year term loan
1 .....	1.00	1.00	1.00	1.00
2 .....	.80	.85	.90	.92
3 .....	.60	.70	.80	.84
4 .....	.40	.55	.70	.76
5 .....	.20	.40	.60	.68
6 .....	0	.25	.50	.60
7 .....	0	.10	.40	.52
8 .....	0	0	.30	.44
9 .....	0	0	.20	.36
10 .....	0	0	.10	.28
11 .....	0	0	0	.20
12 .....	0	0	0	.12
13 .....	0	0	0	.04
14 through 25 .....	0	0	0	0

4 “(b) REQUIREMENTS.—The requirements of this sub-  
 5 section are met if—

6 “(1) the debenture is outstanding and neither  
 7 the loan that secures the debenture nor the debenture  
 8 is in default on the date the prepayment is  
 9 made;

10 “(2) State or personal funds, which may include  
 11 refinancing under the programs authorized by sec-  
 12 tions 504 and 505 of this Act, are used to prepay  
 13 the debenture; and

14 “(3) the issuer certifies that the benefits, net of  
 15 fees and expenses authorized herein, associated with

1        prepayment of the debenture are entirely passed  
2        through to the borrower.

3        “(c) No fees or penalties other than those specified  
4 in this section may be imposed as a condition of such pre-  
5 payment against the issuer or the borrower, or the Admin-  
6 istration or any fund or account administered by the Ad-  
7 ministration, except as provided in this Act.

8        “(d) The refinancing of debentures authorized by  
9 paragraph (b)(2) of this section under section 504 of this  
10 Act shall be limited to only such amounts as are needed  
11 to prepay existing debentures and shall be subject to all  
12 of the other provisions of sections 504 and 505 of this  
13 Act and the rules and regulations of the Administration  
14 promulgated thereunder, including, but not limited to,  
15 rules and regulations governing payment of authorized ex-  
16 penses and commissions, fees and discounts to brokers and  
17 dealers in trust certificates issued pursuant to section 505:  
18 *Provided, however,* That no applicant for refinancing  
19 under section 504 of this Act need demonstrate that a req-  
20 uisite number of jobs will be created with the proceeds  
21 of such refinancing.”

22        SEC. 2. (a) The provisions of this Act are exercisable  
23 at the option of the borrower.

1       (b) Any new credit or spending authority provided for  
2 in this Act is subject to amounts provided in advance in  
3 appropriations Acts.

4       (c) There are authorized to be appropriated such  
5 sums as may be necessary to carry out the provisions of  
6 this Act.

7       (d) Within 30 days of the effective date of this Act,  
8 the Administration shall promulgate such regulations as  
9 are necessary, including establishing an order of priority  
10 to accomplish the provisions of this Act.

11       (e) Subsection 504(b) of this Act is hereby repealed,  
12 subsection 504(a) is renumbered as section 504, and para-  
13 graphs (1) through (3) of subsection 504(a) are renum-  
14 bered as subsections 504 (a) through (c).

○